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## **THE FISCAL PROBLEM**

## SOCIAL SCIENCE AND SOCIAL SCHEMES.

JAMES McCLELLAND.

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"This vigorous protest against some of the principal assumptions made by contemporary authors of social Utopias is the work of a sensible, hard-headed man who sometimes falls into fallacies not unlike those he denounces. His general ideas of society and of the individual are derived from the philosophy of Herbert Spencer. His conception of society as it formerly was is no less *a priori* than the Socialist conception of society as it will in future become. Nor is this arbitrary conception of primitive society really essential to his argument, which rests upon the undeniable imperfection of man and parsimony of nature."—Prof. F. C. MONTAGUE, in *The Economic Journal*.

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"It may well be, as the author remarks, that much spurious sentiment is indulged in over 'the selfishness of man.' Individual selfishness is quite as often responsible for the evils of society as the ill-considered schemes of even well-intentioned philanthropists and social reformers or the misty dreams of Socialistic theorisers."—*Bookseller*.

# THE FISCAL PROBLEM

## WITH DIAGRAMS

BY

JAMES McCLELLAND

AUTHOR OF "SOCIAL SCIENCE AND SOCIAL SCHEMES"



LONDON  
T. FISHER UNWIN  
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1903

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## PREFACE

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If any of the remarks in the following pages can be construed as evincing an unfriendly feeling to the Colonies, it will be to me a subject of great regret. No one has a warmer admiration for the Colonists than myself and none greater faith in the destiny which lies before them. They are the heirs of all our progress, and have in their illimitable territories scope for the exercise of the highest talent and enterprise, which no one doubts they possess. They can and will succeed without any nursing on the part of the Mother Country, and as the advantages that are proposed to be extended to them can only be given by sacrificing the working community in these islands, I am doing the Colonists but justice in thinking that they would be the last to desire that they should be assisted in their development at such a cost.

JAMES McCLELLAND.

BELFAST,

*September, 1903.*



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## *THE OPEN MIND*

WHATEVER may be our opinion as to the propriety of the leading statesman of a great empire maintaining an "open mind" in regard to a question affecting the very foundation of the country's policy, there can be no doubt it is a very desirable attitude for the people as a whole to assume. No more revolutionary proposal regarding our national policy has ever been made, and yet we find that the one above all others to whom we might reasonably look for guidance in forming an opinion as to its merits confesses not alone that he cannot help us to a conclusion, but is himself in hopeless confusion. Well might we ask, Is this incompetency? is it indifference? or is it professed impartiality in the interests of party government? It is scarcely possible to believe that the foremost English statesman is so little conversant with economic questions as to be incapable of forming an opinion upon one fundamentally affecting the welfare of the nation. It is not as if the question was a new one, involving principles which

had for the first time been thought of, and as a consequence making it the part of a wise man and a prudent and responsible statesman to defer a decision until due consideration could be given to all the factors of the problem. So far from this being the case, the subject is one which sixty years ago agitated the country from end to end, and which was at that time so thoroughly discussed and investigated that there was not left in Britain a man who was not thoroughly convinced that Protection was unjust to the working classes and of absolutely no benefit to manufacturers.

There was one argument, and one argument only, which continued to be urged in its favour to the very last, and that was the disastrous effect it would have upon the position of the landed gentry, whose interests, it was considered, were primarily endangered. Even the fears entertained in respect to this latter class were proved to be ill-founded, and so far from suffering, land has appreciated considerably in value since the adoption of Free Trade. It is a matter of history that the agitation which resulted in freeing the country of the incubus of import duties was the most prolonged, the most costly, and the most popular that was ever carried on in a civilised country. The singleness of purpose of its advocates, who consistently refused all the honours that were offered them after the successful accomplishment of

their purpose, is unquestioned, though during the campaign they had to face the most pronounced hostility of all the leading people of the country, whose intemperate opposition, not content with declaring the agitation unconstitutional, even accused its exponents of being desirous of accomplishing their ends by the assassination of the statesmen opposing the scheme. Through good repute and evil, however, they held fast to their course, fortified by the conviction, which they, metaphorically speaking, proclaimed from the housetops, that the adoption of their doctrine was the only thing which could save the country from ruin. The condition of the people accomplished what might have been much longer denied to the arguments of the reformers. It is admitted that prior to the passing of Sir Robert Peel's Act, starvation stared the masses in the face: Chartism roamed rampant through the land, and the " Soldiers of the Queen " were employed in the uncongenial task of shooting their starving fellow-countrymen because they dared ask for bread. Employment was admittedly precarious ; taxation being assessed indirectly, was borne, as in such cases it always is, by the working classes in inequitable proportions ; wages were low, bread high ; discontent and unrest prevailed throughout the land. There was one remedy, declared Cobden and Bright, and only one remedy, for the prevailing evils, and that was to throw

open our ports and so cheapen the necessaries of life to the masses regardless of the effect it might have upon the interests of the classes. Slowly, but surely, the economic doctrine which they preached with such commendable iteration found acceptance, and after his re-accession to power in 1845, so desperate was the condition of the people that Sir Robert Peel declared to Guizot, the French historian and statesman, the deep—nay, passionate—conviction that something must be done to relieve the suffering and precarious condition of the labouring masses, though doing so compelled him to think less of the classes and more of the people. The result of this resolution was that England became a Free Trade country, and placed herself in the position of testing experimentally the truth of the doctrines which had been so long, so ardently, and so eloquently advocated by the reformers. The prophecy of Cobden and Bright was that the adoption of Free Trade principles would herald the dawn of a brighter and happier era in England—an era in which the necessaries of life would be so abundant and cheap that comfort and happiness would prevail amongst the people and progress and prosperity characterise the nation as a whole. Let even the most cursory student of history ask himself how far this prognostication has been verified. The facts are so clear and unmistakable that he who runs may read. In little more than half a century a country

whose people in pre-Free Trade days were constantly on the verge of starvation has solved the problem of maintaining its population in the highest grade of comfort ever before known to exist. This is all the more significant because its own natural resources are admittedly woefully deficient for the support of an increasing population. Notwithstanding, however, the enormous increases in this respect, employment is plentiful and well remunerated ; in fact, it has been pointed out that the income of the working classes, allowing for their increased numbers, exceeds the entire income of all classes fifty years ago, and is individually four times greater than what it was in the early half of the nineteenth century. Although the entire population lives eight months out of every year on imported produce, there is no country in the world in which the average of comfort is higher ; none in which the hours of labour are less. Free Trade has proved an immense stimulant to progress and a great incentive to invention. The fact that we have discarded trade restrictions is the main reason of the truth of our proud boast that our flag floats in every harbour in the world. Our shipping trade, with Free Trade as its necessary foundation, is at once the envy and the admiration of all other nations, and were it only for the pre-eminence which we occupy in this respect, and which under Protection we could never have enjoyed, our Free Trade policy would be

amply justified. Think not only of the outlet for capital which this carrying trade affords, but think upon the thousands upon thousands of skilled artisans who find constant and well-paid employment in the shipbuilding, engineering, and kindred industries, which, if they do not owe their origin to Free Trade, are at least indebted to it for their great and important development. Anything that could in any way arrest the progress of these industries would be an incalculable disaster, affecting not alone the well-being of the people of the country, but the supremacy of the British Empire, and as the natural and the necessary outcome of the proposed tariff war would be a contraction of trade which would paralyse, and perhaps ultimately destroy, these industries, and would certainly remove every incentive to further investment and improvement, we cannot too strongly nor too early rouse ourselves to resistance.

Our general trade is colossal because we are ourselves so little of an agricultural country that we have a ready market for the special products of all countries and a special object in facilitating their transport to us at as nearly as possible the prices at which they can be produced in the countries most suitable for their growth. So much is this the case that when other nations have not the money to utilise their natural advantages we are always prepared to find the necessary finances, and to such an extent is this already done, that the income

returned as from foreign investments amounts to between £60,000,000 and £70,000,000 per annum. The result cannot be anything but advantageous to our country, enabling us to enjoy to the full the benefits of the natural fertility of other countries, and giving us even a control of the direction in which they shall develop. As a consequence England has become the natural exchange and mart of the world, doing with her relatively small population of forty millions about one-half of the entire trade of the world. Her banking business is on a scale greater even than that due to the proportions of her general trade, because the world-wide nature of her connections gives a facility for settling bills which only her universal trade can supply. No matter between what countries the transaction may take place, the remittances are usually in London, it being well known that there the facility for negotiation exists. Such is the enviable position which Great Britain occupies in the world to-day, and such precisely is what the Free Traders foretold it would become if their policy were adopted. That it may long continue to occupy this position is the hope of every citizen of our Empire; but when a proposal is made to radically change the policy which has been contemporaneous with the acquiring of this commanding position, it is difficult to understand how those primarily responsible for moulding the policy of the nation cannot declare an opinion.

Although there is physically no resemblance between Mr. Balfour and the renowned Wouter van Twiller of Washington Irving's conception, there are strong mental similarities. The Dutch Burgomaster, it will be remembered, is described as exactly five feet six inches high and six feet five inches in circumference, with legs exceedingly short but sturdy in proportion to the weight they had to sustain, which gave him when standing erect not a little of the appearance of a robustious beer-barrel standing on skids, which, it need scarcely be remarked, is a striking contrast to Mr. Balfour. His mental characteristics, however, are almost an exact parallel. The wise Dutchman was of invincible gravity, and never made up his mind on any doubtful point. This was accounted for by his adherents, who affirmed that he always conceived every object on so comprehensive a scale that he had not room in his head to turn it over and examine both sides of it, so that he always remained in doubt simply in consequence of the astonishing magnitude of his ideas. There never was a matter proposed but what the renowned Wouter put on a mighty, mysterious, vacant kind of look, shook his capacious head, and after smoking four or five minutes with redoubled earnestness sagely observed that he had his doubts about the matter, which in process of time gave him the credit of a man slow in belief and not easily imposed on. How admirably does this illustrate the attitude of indefiniteness

which Mr. Balfour assumes generally, and on which his philosophic reputation is based. His incertitude regarding the inevitable consequence of a departure from the policy which has characterised our country for the past half-century is the crowning piece of his indecision. If the evil effects of a return to Protection can be described half as forcibly as the advantages of its adoption were painted, there will be little fear of the country remaining in doubt as to the verdict they should pronounce when the question is submitted to them, as to them it must be submitted. It is impossible to believe that it is inability that is accountable for the professed indecision: it is surely not complete indifference to the welfare of the people, and if neither of these, it must be in the interests of the party he is *supposed* to lead that this ignorance of economics is professed. There is, however, something of much greater importance than any party, and that is the welfare of the nation, which must be paramount. The desire of every one, both those described by political partisans as Little Englanders and those who arrogate to themselves the title of Imperialists, must, or should be, to consider the question from the point of view of the welfare of our own nation. If we interpret, or allow our statesmen to interpret, our own true interest wrongly in the interest of some passing phase of national life, or in the attempt at concealing the effects of some quixotic escapades of political knight-errants, we may conceivably put a period to the

prosperity of our nation. The only way for the country to avoid being identified with these retrogressive enterprises is to place before the people the facts and figures of the fiscal problem as it affects not alone our own country and our Colonies, but also our foreign competitors. This data is in itself sufficiently interesting to justify it in being brought together in a succinct form, even if its importance had not become so pronounced within the last few weeks. Although I cannot lay claim to having an "open mind" on the subject, I will place only the absolute facts obtained from reliable records before you, and indicate the laws which underly all trade and commerce in such a manner as will show that I am not distorting them to buttress a theory. On the contrary, I venture to assert with confidence that when the natural and inevitable deductions are made by those who are for the welfare of "the State" in preference to "party," there will not remain any uncertainty upon the subject. The investigation will demonstrate conclusively that Free Trade, so far from being a question of discussable policy, is in the decrees of nature necessary not to the success alone, but to the very existence of Britain if she is to maintain her present position amongst the nations of the world.

## *QUICK-CHANGE ARTISTS*

“In our colonial policy, as fast as we acquire new territory and develop it, we develop it as trustees of civilisation for the commerce of the world. We offer in all those markets over which our flag floats the same opportunities, the same open field to foreigners that we offer to our own subjects, and upon the same terms. In that policy we stand alone, because all other nations, as fast as they acquire new territory—acting, as I believe, most mistakenly, in their own interests, and above all in the interests of the countries they administer—all other nations seek at once to secure the monopoly for their own products by preferential and artificial methods.”—*Mr. Chamberlain on Nov. 13, 1896.*

THE above quotation from one of Mr. Chamberlain’s speeches, taken in conjunction with Mr. Balfour’s emphatic declaration of the “open-door” policy of Great Britain, and compared with their recent utterances on the subject of preferential tariffs and Protection, gives us an idea of the capabilities of these gentlemen as quick-change artists. No one of course expects thoughtful men to retain for all time identical opinions upon the same subjects.

So far from such being a proof of consistency, it might as reasonably be taken as indicating stagnation of thought, lack of courage, or such an early arrival

at finality of their knowledge as to make their opinions valueless. Therefore we by no means find any quarrel with changes of opinion in themselves, and instead of looking at such as a want of rectitude and consistency, believe they are in most instances the greatest proof that could be given of the possession of these qualities. At the same time we should expect that when men in responsible positions as leaders of the nation did see reason to alter their views as to the proper policy to be pursued in national affairs that they would do so only as the result of a more minute investigation of the subject which had revealed to them some factors of the case which had previously escaped their attention, and which had satisfied their own minds that the path they had hitherto been following was not the most advantageous from a national point of view. Leaders in the old days were supposed to formulate their policy, and having decided on the course which was advisable and necessary, ask the approval of their colleagues and the nation, but we find that now, instead of deciding, they vacillate, and instead of leading the public opinion, they upset it by doubts, without advancing substantial reasons for raising them, and emphatically asserting their own ignorance of the facts. Mr. Chamberlain, in advocating his scheme before the Constitutional Club, said : "I am not going to enter upon any economical discussion. I leave that to the experts." And on the

same occasion Mr. Balfour claimed to be in a tentative sort of way—"merely putting the kind of problem which I am myself trying to investigate before an audience which I believe also desire to investigate." One would really have thought that before troubling the audience at all upon the subject their investigations would have been completed, and a decision arrived at on the facts. These facts and their bearing upon the welfare of the nation could then have been explained to the people and a mandate obtained from them for carrying out the changes if they were proved to be advantageous. Such a natural procedure, however, was not to be followed, and no doubt there were good reasons for the method that has been adopted. It is idle in the extreme to suppose that the inquiry is to be allowed to be made in that calm atmosphere of careful investigation freed from party bias which would be essential to an impartial decision. The question is essentially a party one, and sprung upon the nation in the interests of a party. Notwithstanding the assertion that inquiry only was advocated, we find the principal organs of the Government already prejudging the case, and it is abundantly evident that those who venture to dissent from the proposed fiscal change are to pay the penalty, so much dreaded by the British nation as a whole, of being labelled unpatriotic. These are the tactics usually resorted to, and are found very efficacious

when there is a dearth of argument in support of party policy. The meetings already being held in favour of the continuance of the Free Trade policy are being described as socialistic and radical, so that we may well conclude that an attempt is to be made to stifle discussion by heaping obloquy upon those who seek to enlighten the people on the true meaning of the policy they are to be asked to sanction.

“ Radical ” and “ socialistic ” are the terms that have hitherto been reserved for describing those advocating far-reaching changes in the social economy, but in the present instance, with an inconsistency emblematic of the Government itself, they are to be used to describe those desirous of conserving the existing order. The reason is not far to seek ; it is that a return to Protection would be in a measure a return to the exclusive privileges accorded to the classes in a bygone generation ; and if the working men agree to these proposals it will, as Mr. Bright said, “ only show how far they are from comprehending their own true interests.”

A little reflection, however, will give us the clue to this proposed extraordinary departure. Under the present administration the expenses of governing the country have increased enormously. The National Debt has been increased by about £200,000,000 since 1896, and the annual expenditure has gone up from £89,000,000 in 1896 to about £180,000,000 in 1902,

and the policy that has been pursued has added permanently to the burdens of the Empire, and as a consequence the expenses of government are permanently increased. Thus some additional means of "raising the wind" must be devised, and as the propertied classes will certainly not give their support to any Government who will increase their burdens by direct taxation, and as, according to Mr. Chamberlain, the patriotism of the Colonies is not such as to make them willing to share in equal, or at least proportionate, terms the obligations as well as the privileges of Empire, the patriotism of the British working man is to be tapped, in the hope that this and the cry of Imperialism will do the trick. The device is admirably adapted to the accomplishment of the end in view, because the facts relied on at all times by Protectionists are proximate and superficial, and when, as in the present case, they are invested with a halo of sentimentality, they become dangerously alluring. On the other hand, the benefits of Free Trade are not so readily apparent, and the immediate effects must be followed to their ultimate results before the full advantages of the system can be appreciated. In addition to this the whole of the facts are not so accessible to the people in general, and from what can be ascertained of the proposed Government inquiry, it would appear as if only such facts are to be placed before the public as will

strengthen the case for their policy. The Government are to be at once the collectors of the statistics and the deciders of how the public edition shall be edited. As an illustration of what I mean by the statement that Free Trade requires more reasoning to understand than Protection I might instance as a fair parallel the case of where mechanism is introduced to perform work which has hitherto been done by manual labour. It requires no reasoning to prove that the immediate effect is to deprive a large number of labourers of employment, and consequently the result is seen to be at once disadvantageous. Of course nowadays it is very generally admitted that the ultimate effect is an increased demand for the goods produced, with, in the end, a great increase of employment, but it took time to demonstrate this truth, and even at present in some out-of-the-way places we find labour leaders resisting the introduction of modern appliances on the ground that their adoption displaces labour. This is a fair parallel of the relation between Free Trade and Protection, and the cheapness due to the former leads to a more general dissemination of goods, whilst the dearness induced by the latter curtails consumption and diminishes employment.

Fortunately, or unfortunately, the responsibility of any radical change of policy must receive the sanction of the people before being adopted. I say

this may conceivably be a misfortune, because of its tendency to originate some particular cry which shall for the moment obscure the issues involved and cover with suspicion the motives of all opposed to the change. The cry of Imperial Unity is a conspicuous example of this exploiting of policy in the interest of party. What could be more calculated to cover with odium those opposing the policy than the implication that they were obstructing this dream of an Imperial Unity extending throughout our extensive Colonies, and which at some distant date would render our nation altogether independent of foreign supplies? Who is to analyse the facts in such a manner as to convince the people that, stripped of its extraneous sentimental trappings, the proposal is simply that we shall at once enter upon a rigorous system of self-denial in the interests of our Colonies, in the hope that by continuing the same for some generations we may ultimately succeed in attaining by artificial means a position of affluence equal to what we at present enjoy through the operation of natural causes.

There is no doubt whatever but that our Colonies when fully developed will be able to grow produce for all the needs of the Mother Country, but it is a far cry to that time, and there is nothing more certain than that when it arrives we shall find that the Colonies will have so developed their manufacturing industries that they will be quite as independent of

supplies from the Mother Country as foreign nations are of Great Britain to-day. It is contrary to all the canons of progress that a nation shall develop in one direction only, and so we may feel absolutely certain that though agriculture for many years to come will continue the staple produce of the Colonies they will not remain stagnant in respect to industries. The moral of this is that we must carefully look into the question of in whose interest our Government are going to legislate. They are returned to power presumably to govern the British Islands. Canada and Australia have, according to our Colonial Secretary's admissions, politely, but none the less firmly, declined to take any part in our Councils, preferring to retain the independence of their autonomy; and who shall blame them? They understand the requirements of their respective countries, and can administer their own affairs better than they could be administered by any Council, however desirous of furthering their welfare, which would be situated at a distance of thousands of miles, and necessarily ignorant of that exact knowledge of their country which is essential to proper legislation. Therefore, as the mountain will not come to Mahomet, Mahomet must needs go to the mountain. In other words, as they will not unite their destiny with ours, and are too secure in their position to render coercion practicable, we are asked to modify our legislation and our traditions to suit the

views of the Colonies, without whose approval the British Empire cannot be held together. The bonds of affection are not sufficiently strong for unity of purpose, and we must secure their co-operation by sacrificing to their interests the true welfare of the forty million inhabitants of the Mother Country in order that the sense of gratitude of the ten million colonists may prove efficacious in binding them to our fortunes. The method has too much of the appearance of the tail wagging the dog to, when properly understood, meet with approval, and its suggestion is unworthy the statesmen of an Imperial Empire.

Of the expenses of maintaining our Empire, the people of Great Britain, according to Mr. Chamberlain, already pay 29s. 3d. per head, whilst Canadians pay 2s. per head and Australians 3s. 3d.; but not content with this exemption from the expenses of Empire it is now proposed to levy a tax in further aid of the Colonies on the breakfast-table of every man in the country, in the hope that doing so will prevent them ever entertaining any ideas of Empire separate from Great Britain. What a change this indicates in the conception of the duties of the Mother Country to her Colonies ! Time was, and not so very long ago either, when it was considered by leading statesmen that the Colonies existed but for the good of the Mother Country ; now it seems to be that the Mother Country is to exist but for the convenience and during

the pleasure of the Colonies. In the old days the Colonies were convenient places to which to ship the surplus population, and for the friends of the Government to make rapid fortunes. They were a convenience for growing produce for the homeland and taking in return its manufactures, but they were not to start manufactures for themselves. Canning it was, I believe, who contended that the Colonies had no right to make for themselves as much as a nail for a horse's shoe. If those views were capable of being maintained in the present state of the world's development, there might be some argument for preferential trading, but we all know that they are not tenable and would not if advanced be tolerated for one moment by the Colonies. So far from it being the case that the Colonies will confine themselves to agricultural pursuits, they are as a matter of fact already entered upon a period of industrial activity which will make them in the near future no despicable rivals of the Mother Country. An undertaking not to become manufacturers themselves and to abandon the industries they have already started would prove the disposition of the Colonies to make an equality of sacrifice to what we are asked to make and would bring the consideration of the question of preferential tariffs to a business basis. There is no doubt that we are quite as able to supply them with all their requirements in manufactured goods as they will ever be able to supply us with

agricultural produce, and if a statesman can be found with sufficient hardihood to suggest this as a *modus vivendi* of preferential treatment, and can get their concurrence to the plan, the case for preferential tariffs will be raised to a different plane. Otherwise it is impossible that the inhabitants of Great Britain, outnumbering the Colonists by four to one, and bearing the "burdens of Empire" in proportion of thirteen to one, will consent to still further sacrifice themselves on the altar of a supposed patriotism. The Imperialistic conception of Mr. Chamberlain is not a dream, it is a hideous nightmare; and the sooner the nation is aroused from its contemplation the better for the best interest not alone of Great Britain, but also of the Greater Britain beyond the seas.

## *DATA DIAGRAMS*

THE following diagrams will probably illustrate in a manner that will be readily understood the leading features of the world's trade, and will show the dominant position which England occupies.

The first diagram contrasts the population and trade of England in pre-Free Trade days and at present, and shows the present in relation with the trade of the other European countries and the United States. It is not, of course, attempted to deny that other countries have progressed in the time under review, but they have not done so to the same extent, and it should be readily admitted by all thinkers that there is more scope for progress in the less developed countries than there is in such countries as have reached the apex of improvement. Great Britain has hitherto been ahead of other nations in development, and consequently it should be more difficult for her to increase in the same ratio as the more undeveloped countries. Notwithstanding this it will be observed that the population of Germany and other European countries enumerated is

nearly five times greater than Great Britain's and her Colonies, and with this enormous population their aggregate trade is only 33 per cent. greater, which will be best understood by remarking that their allied trade works out to £6 2s. 6d. per head of population, while Great Britain's is £21 0s. 6d. per head. Even the United States, whose trade we hear so much about, is not one-half that of Great Britain's. The amount of the trade of the Colonies is shown, and will be seen not to be so formidable as is generally supposed.

The second diagram gives a comparison of the world's trade, showing the volume of both our exports and imports with the leading foreign countries. It will be observed that our imports are much greater from the United States than from any other source, the Colonies coming next in importance. This is obviously due to the fact that it is mostly foodstuffs that these countries are able to supply, which is exactly what we cannot produce ourselves. Our Colonies import more from us than any other single nation, this being clearly due to their being at present principally engaged in agriculture and stock-raising. They have already started on an industrial career, and their imports from the Mother Country will necessarily become relatively less as these industries expand. Canada is already exporting to our markets machinery, furniture, &c., and at no distant date is likely to take as important a position in the iron

and steel trade as what the United States now occupies. Her ore is both rich and plentiful.

Our imports from France are considerably greater than from any other European nation; these being mostly of the nature of luxuries, do not affect the position of the workers very materially.

The third diagram gives the total trade of the leading countries and exhibits the proportions between exports and imports from all sources. The imports in all highly-developed countries having restricted areas for the population congregated therein exceeds the exports, the great exporting countries relatively to population being those which have extensive territory under cultivation and sparse population.

The fourth diagram illustrates analytically the exports of Great Britain, it being important that we should understand in what articles we do our export trade, so that we may have an idea in what direction extensions might be looked for. The machinery and hardware might easily be extended, and no doubt, with the realisation of the community of the necessity of a better primary and greater facilities for technical education, a great improvement in this direction will take place.

The fifth diagram gives our total imports and exhibits what they mostly consist of. It will be seen how largely food and raw material preponderate. If these were abstracted from our total imports it will be realised

how trifling is the value of what we could produce at home.

The increase of the price of food cannot be an advantage ; the increase of the cost of raw material must place manufacturers at a disadvantage when competing in foreign markets. The manufactured articles we import are mostly specialities or such as cannot be as conveniently and cheaply provided at home.

The sixth diagram shows the value of our trade with foreign countries and the Colonies. We import much more from each than we export, but being mainly food and raw materials for manufacturing, it would be quite impossible for the Colonies, no matter how rapidly they develop, to meet our requirements in these for many generations, and we should therefore tax the present generation for the benefit of the posterity of the Colonies without any assurance that our own posterity would reap an advantage. It is obvious that the Colonies could not bind their posterity to continue giving our posterity a preference, and it is in every way likely—indeed I should say absolutely certain—that the Colonies in the years to come will be our most formidable trade rivals. They cannot remain industrially stationary, and their progress will necessarily require a market for which they will have to compete with us and all other countries.

Diagram seven gives an interesting comparison of

the population, total income, and income of working classes, and those paying income tax in 1846 and 1900. The enormous increase is at once apparent, and it will be observed that at present the income of the workers who do not pay income tax almost equals the income of the entire nation in 1846. It may be remarked that many workers pay income tax at present, and if these could be returned with the workers it would show that the working classes to-day are dividing amongst themselves very much more than what was available for all classes half a century ago. No greater proof of progress is possible.

The eighth diagram gives the ratio of wages in leading European countries, by which it will be seen that Great Britain heads the list, while it may be added the working hours are less than that prevailing in other countries.

A very important point to be observed is that in our Custom House returns the value of the goods imported into this country is the value of them at the port of shipment. The cost of conveying them to Great Britain, which is mainly in British ships, is an increased value here, and to this must be added the profit of the importers.

The goods exported are returned through the Custom House at the net value, the cost of conveying them to the distant market finding its way into the pockets of

the British shipowners, and the profit at which they are there disposed of being the remuneration of our merchants.

Therefore if we export about £350,000,000 worth of goods the profit will be about 20 per cent., possibly more, owing to the risk involved in this foreign trade, so that we get a money value equal to £420,000,000; and when to this is added the cost of conveying we shall see that our exports, though so much less in money denomination in the Custom House returns, come nearer in value to our imports than what might be thought.

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## *FALLACIOUS FACTS*

THERE is nothing more true than that there are certain facts and figures which, taken by themselves and excluding other qualifying facts, inevitably lead to most fallacious conclusions. No finer example of what can be accomplished in this direction can be given than that which an analysis of the facts which Mr. Chamberlain, in his speech to the Constitutional Club, adduced in support of his proposed retrogressive policy.

It is an old mathematical axiom that the whole includes all the parts, but it would seem as if Mr. Chamberlain considered the opposite of this equally true—that the part necessarily included the whole, for it is on the minor part or facts of the case, to the exclusion of the major part, that he establishes his argument; and it is to that extent unsound and unreliable. For instance, when he asks, “Is it a fact that the trade with our Colonies is about £10 per head of the colonists, while with foreign countries it is only a few shillings per head?” we cannot dispute the substantial accuracy of the statement, though the second part of it is somewhat

minimised, but this is no doubt to lend additional emphasis to his contrast. The deduction which will be made from stating the matter in this way must be erroneous, because it is the parts that are compared and not the whole that is exhibited. The truth is that of our total export trade of about £350,000,000 in 1901 a little over £100,000,000 went to the Colonies, which figures out to about £10 per head ; whilst £250,000,000 went to foreign countries, which is not far off £1 per head. Of course it was scattered over a greater number of people, but I take it that it is with the aggregate total and not the individual amounts we are concerned. The deduction, however, which we are asked to make is that we should establish a preference in favour of this trade of £100,000,000 and disregard the loss or diminution of the £250,000,000 even if our policy had this effect. The exact words are that "it would be better to cultivate this trade with our ten million kinsmen than attempt to conciliate 300 millions of foreigners." I do not know what Mr. Chamberlain's idea of conciliation may be—possibly his want of that attribute may be largely responsible for the necessity of his present proposals ; but I do know that in the ordinary conception of English it would be considered an abuse of terms to describe the placing of different parties on a position of equality as extending " conciliation " to some. So far from this being conciliation, any other attitude is inequitable, is

calculated to arouse enmity, and is not paralleled in the policy observed by other countries, who, if they protect, do so equally all round ; whereas he proposes establishing a sort of hybrid Protection. Irrespective, however, of any theory of Protection or Free Trade, it will be obvious that the proposal is not in accordance with the manner in which private individuals would conduct their own business. Is there in the world a merchant doing business, we will say, for the sake of illustration, with 310 customers, ten of whom are individually very much larger users of his wares, but in the aggregate representing a little over one-fourth of his total trade, who would openly and palpably give these ten such a preference over the other three hundred as would alienate and estrange the three hundred and make them desirous of transferring their business elsewhere ? The parallel is not complete until it is added that in addition to the smallness of their trade in regard to the total, there is no undertaking to be given of an increased trade, but reason to believe that the future will see curtailment by reason of the customers starting to make for themselves many of the articles they at present purchase.

There would be some justification for considering the matter if the ten were to give a guarantee that they would take the entire goods of the merchant if the others withdrew their custom, but surely none if it were admitted that they were already taking all they

could possibly find use for, and besides were already beginning to manufacture their own requirements. There is no doubt, as Mr. Chamberlain remarks, the Colonies will increase in population, and in the years to come will probably have a population numerically equal to our own, but are we to begin now to penalise our citizens to help them in that progress of which the grandchildren of the youngest child in Britain will not see the fruition? More than this: will we so far forget our own interests as to follow such a course when we know that these Colonies are already our rivals in manufacturing, and that their exported manufactured goods are competing with our own in the markets of the world? What is the inevitable result of such a position of affairs? The Colonies are entirely independent of our control; they are already drawing from us only such articles as at present they cannot more profitably obtain at home, such as cotton, wool, flax, spirits, iron, and steel. We know, however, that they have already become exporters of manufactured cotton, woollen goods, spirits, iron and steel, furniture, and agricultural implements, and we are also certain that having established industries they will soon cease to depend upon the Home Country for such a large proportion of manufactured goods as formerly, and consequently at no distant date we will have from them, notwithstanding any increase of population, a constantly restricting trade. Is this indeed not the

natural and the necessary sequence of trade in all countries? At first, when they are mainly agricultural, they draw from the more developed countries the tools and implements which their advanced civilisation have devised, but the new country every year begins to rely more and more on its own source of supplies, and becomes as a consequence less and less remunerative to the more advanced countries. This is the explanation of Mr. Chamberlain's other fact which he so relies on to harden the nation's feelings against foreigners when he asks, "Is it not true that our exports to foreign countries are decreasing in quantity and deteriorating in profitable character?" Of course with the progress of other countries, where they can make the tools and implements they require, we can only hope to do business in such articles as we have special facilities for making—practically a monopoly—or else in our desire for trade cut our profits to the lowest point.

Now, while it is true that our Colonies are already good customers of ours, it is no less equally true that without any preferential scheme we are already good customers of theirs. If Canada takes from us about £10,000,000 worth per year, we take from her nearly £22,000,000 worth of goods in return; and Australasia is our customer for £27,000,000. We purchase from them in return nearly £35,000,000 worth, and under present conditions and with their population it is questionable if they would be able to supply a sub-

stantially larger proportion of our requirements. They will increase their output, no doubt, and bring a larger area under cultivation, but with what we know of how slowly population increases in new countries we must face the fact that many generations must come and go before they would be able to supply anything like the total requirements of our thickly-populated islands. We also know that it is a certainty that they will as time goes on become relatively worse customers to the United Kingdom than what they are now, because they will be utilising their own natural resources.

In whatever aspect, therefore, we look upon the proposed changes, we become but more convinced of the aptness of Sir William Harcourt's description of it as a " mirage in the midst of the sands which flew away before them when they endeavoured to approach it. It represented to the thirsty men fountains and forests of shade ; but when they tried to reach them they found they were not there."

## *NATURAL TRADE*

THERE is one consideration which above all others should influence the statesmen of any nation in their attitude towards its trade and commerce, and that undoubtedly is what is best for the country which has entrusted its destinies to their care. To answer this question with any degree of reliability they must necessarily inquire most minutely into the position which their country occupies in relation to other nations, the nature and extent of its resources, the ability which it possesses to supply its own wants, and the stage of development it has reached in the utilising of its natural products. Their success as statesmen must be judged by the accuracy with which they gauge these circumstances and the wisdom of the provisions they make for securing the adoption of that policy which will best contribute to its welfare. To decide what is the best policy for a country to pursue in its development is at no time a simple matter, and it is scarcely necessary to remark that as civilisation becomes more complex the difficulties of the problem increase. It should not require any

argument, however, to prove that the first and most essential course is the development of its natural resources and the furthering of its trade in those industries in which it is so situated as to have special facilities for engaging in. I would lay special emphasis on the word *natural*, because there is nothing more self-evident than that each country is naturally better adapted for providing one set of human requirements than another, and the proper aim of the inhabitants of each country is to develop those industries in which they have a natural facility for following just as it is most advisable for each individual to follow for his calling the trade or profession for which he has a natural aptitude. It will be apparent that a consideration of the subject in due perspective will demonstrate that a protectionist policy has for its end and aim the forcing of the trade of the country into an artificial channel in which it can never attain results equal to what will follow its remaining in its natural course. The policy that may be the salvation of one country may be little short of disastrous in another, and as little reliance should be placed on the opinions of those economists who would advocate uniformity of policy in all nations as would be placed in the nostrums of quacks who prescribe the one remedy to all patients irrespective of any diagnosis of their general ailments.

Now, no one who will reflect ever so cursorily upon the position of Great Britain will contend that it offers

a parallel to that of any other country in the world. It is by the decrees of nature isolated from the rest of the world, and so far from grieving thereat, it makes it a source of congratulation, and tries its very best to maintain and intensify that splendid isolation of which it sometimes boasts. Its territorial extent is infinitesimal compared with the United States and Russia, whilst it is 65 per cent. smaller than Germany and quite 60 per cent. less than France. On this small territory it has compressed one of the densest populations in the world (I mean numerically, not mentally), and excepting the small kingdoms of the Netherlands and Belgium, whose conditions approximate very much to those of Great Britain, there is not any other place in Europe where so many people are crowded into equal space. To resort to an illustration by figures, our population according to the space is seventeen times greater than the United States, 230 times greater than Canada, and 225 times greater than Australasia. It is 27 per cent. greater than Germany, although that country has also already exceeded the means of subsistence; and it is nearly 80 per cent. greater than France, which for many years has been almost stationary, while it is more than double that of Denmark. It is by a very long way ahead of any other country in imports and its exports are only exceeded by the United States, the great bulk of the exports of the United States consisting of articles which under no circumstances could we ever make any con-

siderable trade in, they requiring large extents of country similar to their Western territories to make them commercially practicable. The revenue of Great Britain per head of population is double that of the United States, whilst it is about 150 per cent. greater than that of Germany. It is obvious that with our limited territory and teeming population the policy that may be advisable, even necessary, for us to pursue if we are to exist in comfort may not be applicable to other nations more sparsely populated and less highly specialised. This, indeed, is the reason why these countries have not been so prompt to follow England's lead in Free Trade as was at first expected. They have had up till the present, with the exception perhaps of Germany, whose population has begun to exceed subsistence, the means of providing within themselves all the necessaries of life, and as a consequence they can afford to protect their infant manufacturing industries. The United States have already under cultivation an extent of territory which not alone ensures ample provision for the wants of their own population, but enables them to export a great deal more than most other countries can grow. It follows, therefore, that they have so developed agriculturally that they are impinging on the point of advisability of further extensions in that direction, and the natural policy for them to pursue is to encourage manufacturing industries which require more skilled labour and the materials for

which abound in their States. Very many centuries must elapse before the United States are face to face with the problem which has for generations been moulding Great Britain's policy and which is now confronting Germany—the problem of sustaining an ever-increasing population in a country where the means of subsistence have been exceeded and the raw materials for their manufacturing industries largely imported.

Another reason why Protection is naturally, if not necessarily, a favoured policy by the United States is found in the fact that at the declaration of their independence American statesmen desired to unite the various States under one flag, and in pursuance of this policy established Free Trade amongst the various States and erected a barrier to foreign trade. The necessity for this policy has ceased to exist, but it is always difficult to upset, even if desired to do so, the settled order of things, so many interests are affected by a change. There is very little doubt, however, but that even the people of the United States would benefit, notwithstanding their entire independence of foreign supplies, by a universal adoption of Free Trade. As a proof of this statement we may cite the well-known fact that there are many articles which they manufacture and sell cheaper in Great Britain, after paying expenses of transport, than they sell them at in their own country. Were these trades not protected by tariffs the home users would not have to pay so high, for the

simple reason that the home manufacturers would have to compete against the foreign supplies, and so the people as a whole would reap the advantage. Mr. Chamberlain's ideas of preferential tariffs is on something of the same lines as the American statesmen, but in our case the policy loses some of its force and most of its advisableness by reason of the distances of our Colonies. In addition, our capacity to supply our own wants independent of outside supplies is admittedly deficient, and owing to the varying distances of our Colonies we could not place them all on equal terms unless we would give some a greater preference than others, and doing so would only sow seeds of discord amongst them and ourselves.

It will therefore be seen that the policy necessary to be pursued by different nations differs fundamentally, and it is only by proper consideration of the exigencies of each country, its location and its climate, that we are able to decide what is the best trade for it to engage in so that it may create a practical monopoly in those articles for which it is naturally adapted for producing.

This might with perfect safety be left to the manufacturers and merchants to decide, because while legal Protection would enable almost any article to be produced in any country, it is a truth which no enactment will disprove that the nation is the amount of the tariff poorer by following the fortuitous trade. If men are induced to produce articles at a cost of £100 which

could be bought for £75, they are at least the £25 poorer than they would have been if employed in producing articles which they could not buy for less than £100, and the amount that has gone to the revenue has simply transferred a large share of the liabilities for State expenses from certain classes to all the users of the protected articles, which, as it is proposed to be the food of the people, means the whole nation penalised for a section. This will show that it is sheer folly for a country to attempt to create a trade in articles for which it has no special qualifications for producing. The idea that in the event of a war we might suffer by having to depend on foreign supplies is too remote to be seriously considered. In the early years of the nineteenth century, when we were at war with France, and notwithstanding Napoleon's edict and well-known hatred to England, large quantities of French produce continued to be imported into our country. The best way, however, to avoid war is to establish interdependence, and if it in the future—we trust the far future—should be our misfortune to be engaged in hostilities with some or all of the nations we are now friendly with, we are surely not going to start starving ourselves at present in anticipation of that time arriving.

No policy more inimical to the welfare of our country could be conceived than that of so wedding us to our notions of isolation as to attempt to produce within our own bounds all our requisites, knowing that by doing so

we shall have to put up with reduced quantities, and possibly inferior qualities, at higher prices than would prevail if a more cosmopolitan attitude were adopted. The only reason for even considering the advisability of restricting the sources from which supplies may be drawn is the hope that by doing so the true interests of the country may be ultimately best served by that course. This view will no doubt be adopted by those who have an idea that an impetus will be given to the development of a trade which we are not at present engaged in, and which will result in an increase of employment.

Now it will be evident that the very fact that a given trade has to be protected is a proof that it is not a trade in which the country possesses natural qualifications for engaging in. If it were, it would be amply protected by the distance which those competing against it in the home markets would have to send their goods. If this natural protection is not sufficient to enable it to retain the home market, it will be quite clear that it will be hopeless for it ever to attempt to do an export trade in these particular articles. A little reflection will also convince us that Protection will not increase the total amount of employment in a country, but that its tendency will be to keep the workers less profitably employed. There are a good many reasons for this result following a protective policy. In the first instance, the employ-

ment at any time available is dependent upon the amount of disposable capital and the demand for the goods produced. Protection, so far from increasing this capital, has a contrary effect, by diminishing the effectiveness of labour. That it may immediately induce the investing of capital in the trade legislatively favoured is admitted, but this is accomplished by withdrawing it from other trades naturally more suitable to the country. That they are more suitable naturally is evidenced by the fact that they have succeeded in the past without any preferential treatment. The articles produced under the protective system being necessarily higher in price, the demand for them is diminished, and as a consequence wages cannot increase. In fact, being less effectively employed, reduced wages must take place, because the real measure of the value of goods is not their nominal values, but their exchangeable values. By this I wish to indicate that while the nominal value of the protected article is higher the real usefulness is in no way increased, and whilst it might look to the merchant a matter of indifference whether his books showed him possessed of, say, three quarters of corn at 40s. or four quarters at 30s., it means a very substantial difference to the comfort of the inhabitants of the country. Another effect of Protection is that it has a tendency to remove the incentive to the improvement of processes, because of the certainty of those

engaged in the trade that they will be able to monopolise the home market, and this lack of improvement will permanently interfere with the national progress. It will also be found that so many will engage in the favoured trade that the margin of profit will quickly drop to that normal in other trades, so that in the long run capital will not have any better return and labour will not receive greater remuneration. In fact, Protection may be so adjusted as to be practically harmless or only slightly disadvantageous to the consumers, but no matter on what scale adopted it cannot be useful.

It is a commonplace of teachers that if you wish to get the best out of a pupil you have to first ascertain in what direction his special aptitude lies and then encourage him to devote his talents in that direction. What is true individually is equally true collectively, and the moral is that the proper policy for any nation to pursue is, having ascertained what industries it is naturally best adapted for engaging in, to develop them to the exclusion of others for which their conditions are less favourable. By this means they will be able to form a practical monopoly in these goods, and by producing them at a cheap rate owing to the concentration of their energies upon them and the improvement in processes which will follow this specialising, be able to exchange them for very much larger quantities of the goods which others have special

facilities for producing. The establishment of an artificial trade in a country must always mean higher prices and reduced quantities. The articles produced under such a system may retain by this means control of the home market, but a foreign trade in them cannot be established, because, in addition to the want of protection, they have to bear the cost of transit to the foreign markets. The users of the goods in the country pay more than they would have to do if they were imported; the capital of the country is less profitably employed, and by the contraction of demand and curtailment of markets there is less employment and at reduced wages.

If left to themselves the manufacturers and merchants of each country will find the direction in which they can most profitably employ their capital, and will always find ample outlets for it. Legal enactments only raise illusive hopes or create disabilities.

The natural tendency, as Adam Smith pointed out a century and a half ago, is to cultivate the home trade in preference to the foreign both on account of its greater security and relatively greater employment; but a nation whose population has already outgrown the means of subsistence to such an extent that it is practically dependent for nine months out of every twelve for its supplies of food upon outside sources must be extremely careful how it shall legislate, lest by discouraging supplies it lays grievous burdens upon

the people. There is nothing more certain than that any protective tariff to be of assistance to either the revenue of this country or the trade of the Colonies, must be a tax upon the food and raw materials imported, because the other articles are so infinitesimal in quantity and in value as to be practically negligible. A tax upon raw materials, instead of helping the manufacturers and merchants in their competition for the world's trade, will obviously be an additional handicap, and that on food would be simply, as Mr. Bright said years ago, "a rate-in-aid tax levied on the breakfast-table of every working man in the country in order that our one million farmers and ten million colonists may obtain some advantage." The advantage, however, would be more apparent than real, because with the increasing price of foodstuffs there would be a diminished price of meat. It has been quoted by Mr. Chamberlain lately that man does not live by bread alone, but all the evidence goes to prove that before we adopted the system of free imports bread was in Great Britain literally the staff of life to the working men. Meat was cheap, but it was rarely seen on the tables of working people, because it took all they could earn to buy the bread which is the one essential of existence. The whole of trade, indeed, seems to be governed by a sort of compensation balance. If bread is reduced in price, meat and the other articles of diet are increased, because there is

an additional demand for them, and nowadays farming must be conducted, to be successful, on strictly scientific lines which necessitates a proper proportion being maintained between the land cultivated and that devoted to stock-raising. The consequence is that if an additional incentive is given to the raising of one class of produce by a protective tariff it will not only induce farmers to engage in that to an extent incompatible with the most profitable cultivation of their farms, but it will also so increase its price if a prime necessary such as corn and wheat as to leave the workers little money to obtain any other articles which, though something of the nature of luxuries, are, owing to the cheapness of the prime necessities now prevailing, in daily use by all classes. If men were content with the prime necessities of life, there would be no such thing as progress, but it is the law of nature that, having obtained the essentials, attention is directed to the luxuries. This opens up an illimitable field, and the prices of the articles so classed, which formerly were so cheap owing to the absence of demand, begin to appreciate in value, and the agriculturist is able to recoup himself by their enhanced price for what he loses in the reduction that has taken place in other foodstuffs. The area under cultivation in corn and wheat has diminished since the remission of the duties on these goods, but a larger area has been laid under cultivation of garden

produce, and an area nearly equal to that which has ceased to be cultivated in corn and wheat has been absorbed in the growth of the cities and towns of the United Kingdom. In fact, the whole increase of our population has been an increase of the dwellers in cities, the purely agricultural population remaining stationary. This phenomenon is due to the fact that we are primarily, and in the nature of things must continue to be, a manufacturing country ; and there is not wanting evidence that other countries, as they become more highly civilised, become more and more manufacturing. There is nothing more certain than that in an age of progress other nations cannot remain stationary and allow the maintenance of the old conditions in which they shall be purely agricultural, and take all their manufactured products from us. The sooner we face the fact that we shall have rivalry, and that of increasing intensity, and equip ourselves for meeting it, the better. That the other nations succeeded ourselves in the establishment of manufacturing industries has been to them advantageous, because they have had at the very start the benefit of all our experience, and they have not been trammelled by traditional methods of proceeding which has such a tendency to retard the adoption of improvements. They have also shown a much keener appreciation of the necessity of putting within the reach of the youths of their country every facility for education

in the subjects which will be useful to them in whatever trade they elect to follow. It is unquestioned that they are very much ahead of us in technical knowledge, and although we are moving slowly in the direction of remedying our past remissness, we must make vast strides before we are in any way comparable to the foreigner in this respect. Now that it is being borne into the stolid and complacent minds of the people and their rulers that they must "wake up" in this regard there is no doubt they will respond to some purpose. Realising that the name of British is no longer the open sesame of foreign trade, they will, if increased difficulties are not added to the task by erecting artificial restrictions to trade, prove that on their merits alone they are still able to retain their present dominant position in the world's trade. The restrictions proposed would but increase the difficulties of competition, and if they are to be effective, would curtail our carrying trade and diminish employment in all the allied trades which depend on its prosperity for their success. This, with the increased cost of living and reduced profit of manufacturing, would discourage enterprise to such an extent that there would be an immediate and extensive shrinkage of the power, the wealth, and the influence of the British Empire.

## PROTECTION

"I look with solicitude to many of the contingencies which are before us, the absurd revival of the Free Trade controversy included."  
—*W. E. Gladstone, Dec. 21, 1887.*

"Under the Corn Laws land was made to grow corn which should not have grown it, and now with low prices must cease to grow it. With Free Trade in corn, land must depend on its own quality and on the capacity of those who possess it or who cultivate it. . . . Since that time (1846) there is abundant evidence of the improved condition of the millions who work for their daily bread. Wages are generally higher—in many employments they are nearly or quite doubled—and the cost of almost everything which the millions buy and consume is greatly reduced, and their general condition is comfortable beyond anything that has been known in the country during the last hundred years."—*John Bright, Nov. 25, 1887.*

"The corn tax was ear-marked as a war tax that could never become a permanent part of our fiscal system."—*A. J. Balfour, 1902.*

In whose interest, then, are the Government going to legislate? This is the question above all others which demands a reply at the present time. That government exists but for the good of the governed has within late years been so generally admitted that the statement has become a sort of axiom of politics. The growing power of the governed in our country has hitherto assured the assent of politicians to the principle, and therefore the first and most important point to be decided in regard

to any policy is what will be its effect on the general welfare of the people. There is always great difficulty in so analysing proposed social schemes as to demonstrate in a manner which will be readily understood the results which must necessarily follow the adoption of any particular scheme. At the same time, owing to the different interests of men arising through their different positions and environment, there is hardly any scheme that can be proposed but what is already assured of adherents. Society as now constituted, however, is such a delicate piece of mechanism that any unconsidered interference with even its smallest part may seriously interfere with its entire working, and results altogether unexpected ensue. This being the case, we must look with solicitude, if not alarm, upon any proposal for altering its essentially prime parts, and it is difficult to conceive of anything that is more essential to the welfare of a nation than its relations in trade and commerce with other nations. The greater the facilities afforded for developing these, and the freer they are of all restraints the better, other things being equal, must it be for the general well-being of society. This was the attitude assumed by the Free Traders a century ago, and when, over half a century ago, the great and growing national destitution in Great Britain decided the then Government of the country to try the experiment of throwing open the ports to the world the magnitude of the responsibility was realised. It cannot, however, be

denied that the country has since increased in wealth—both in the aggregate and individually—in influence, in comfort, and in power. This is exactly in accordance with what was predicted by the Free Traders, but it was also stated by them that the advantages of the policy would be so apparent that the whole world would follow what was but the natural law of trade. This part of the prophecy has not been verified, because the position of other nations as to the supporting of their own population on home produce has not approximated to that of Great Britain; so that now, after all the benefits we have experienced from our policy through half a century, because others not similarly circumstanced will not follow our example the whole controversy is re-opened and all the fallacies by which a protectionist policy has been supported in the past are being resurrected for further service. There is no denying that superficially at any rate it does seem a little unreasonable and unfair to the people of our country that while we admit the products and the manufactures of all other countries free of import duties there is no other nation that will admit any of our goods without our paying tribute in the shape of tariffs. It does look at first sight a one-sided arrangement, and had the subject not been so fully investigated and explained years ago there might be grounds for reviewing and discussing our position, as certainly, if our citizens were suffering by the existing arrangement, we could not too soon alter our tactics and

return to the school of Protection. It will be obvious, however, that the cheaper we can procure such articles as we require from foreign sources the less of our goods will we have to give them in exchange for what we receive, and consequently every facility which we give them improves our position by enabling us to have very nearly the same use of their natural advantages as they have themselves. In fact, the more bountiful Nature is to them the better we are off, so long as we cultivate their trade and exert our skill to reduce the obstacles natural or artificial to their sending us their produce. The factors of the problem are different to what they were in the early fifties of the nineteenth century, but the change is not in the economical but in the political aspect of the case.

There are only two grounds upon which it was ever attempted to defend a protective policy—the one economical, the other political—and it was so completely demonstrated that Protection was economically wrong that for the past century no responsible economist has been found to sully his reputation by espousing this thoroughly exploded theory. What an economist will not, a statesman may, by the exigencies of political expediency, be forced to advocate. There has always been in this Protection theory a political question accompanying the economical. In the old days the landed proprietors occupied a prominent position in the legislation of the country, and with a frankness which

we cannot but admire they did not attempt to disguise the fact that they legislated in the interest of their own class. For my part I think it is very much preferable to have this frankly admitted than to have legislation of the same tendency passed ostensibly in favour of the people. It is better to be powerless to resist an evil than to be duped by plausibilities into voluntarily becoming a victim. The entire absence of disguise or necessity for it in statesmen enables the people to learn at once the real reason of a policy. At the time in which Free Trade was being advocated, owing to the restricted franchise there was no disguise necessary. It was openly averred that the protective duties were levied to maintain the rents of the landlords. The only doubt which the enlightened statesmen of those days had as to the advisability of Free Trade was as to how it would affect that class. They were looked upon as a sort of bulwark of the national life of Great Britain, just as the Colonies are being elevated to that position at the present time. It is now pretty well recognised that the true strength of a nation lies in the people as a whole, and any proposal detrimental to their welfare must be strongly opposed. A remarkable and unexpected result, however, followed the adoption of Free Trade, and that was, that so far from an immediate fall in agricultural produce taking place to the detriment of the landlords, prices actually rose. This was due to the increased demand for the freed articles which could not be coped

with until the stimulus-given production had some time to operate. The effect of the new demand was to bring under cultivation vast tracks of virgin soil, which but for Free Trade might still be lying dormant, and the result was that supply soon outstripped the demand and a reduction of prices as a consequence ensued. Sufficient time had, however, elapsed to allow of the introduction into our agricultural districts of other articles of produce which were quite as remunerative to the farmer as those which he had to discard owing to the reduced prices, and therefore the depreciation of land values which had been so dreaded never took place. Instead of this, land is more valuable to-day than what it was before Free Trade became the national policy. Now it will be apparent that had Free Trade not been adopted by Great Britain, the providing of the means of subsistence for the increasing population would have had the effect of bringing under cultivation much land which was not adapted for corn and wheat growing, and as the price of these necessities would have been determined by the cost of the produce obtained through the tillage of this inferior land, a very much higher level of prices would have prevailed. The quantities available also would have been quite inadequate to the nation's requirements, because with the continuance of the restrictions to import no special incentive would have existed for bringing under cultivation the rich soil of the western states of America, and so we would always have had

with us the high prices which ruled in the early Fifties of the nineteenth century, which would have made us unpleasantly familiar with the truth of the Malthusian doctrine. It is a matter of history that at that time corn was over £5 per quarter, and when through a series of good harvests it came to sixty-three shillings, there was a general outcry amongst the agricultural community for an increased tariff—which then stood at thirty-four shillings per quarter, just a trifle under what the article can be bought for at present. With these high prices prevailing and such an effective tariff from a protectionist point of view, we should expect that if there is any truth in the contention that Protection would tend to increase wages we should find a high rate of wages under these conditions. The fact is, however, that the wages were in most employment only one-half of the rate current at present, though the cost of living, owing to the high prices of the prime necessities of existence, was very much greater. The consequence was that the standard of comfort was immeasurably lower than prevails now, and a return to the policy of Protection must tend to again depreciate it.

It would of course be idle to deny that the factors of the question are not now exactly identical with what they were in 1840. The principal difference, however, is that our Colonies have assumed an importance which they did not then possess, and as it is a way we have

to continue adding here and there to our possessions slices of territory from more or less willing people, it is argued that with a little special cultivation of trade with our Colonies the Mother Country would be rendered practically independent of supplies from foreign countries which, especially in case of war, would be desirable. In fact, we are to isolate ourselves more completely from foreign nations by giving our Colonies free entry for their produce, and by putting obstacles in the way of foreign nations. Our Colonies in return are to give us a reduced tariff so as to make it advantageous to their people to patronise the manufactures of the Mother Country. The suggestion seems such a nice little family arrangement that it is a pity to have to express the opinion that the policy is not quite so simple as it looks, and might not be followed by the advantages claimed. The greatest guarantee of the peace of the world would be to so connect each country by commercial bonds as to make it financially ruinous for any of them to go to war, but even if they were at war the increased gains which could be obtained owing to the enhanced prices would be sufficient to ensure ample supplies reaching us, so that it is quite unreasonable and unnecessary for us to establish now conditions which will induce famine prices by way of familiarising the people with them if at some distant time they should unfortunately prevail.

Leaving this, however, to the one side is it not

apparent that the proposal of Mr. Chamberlain is one for legislating in favour of the Colonies and not for the people of Great Britain? The Government has no control over the Colonies; they have started business on their own account as it were, and are so enamoured of their independence that they resolutely turn a deaf ear to the pleading of the syren (Mr. Chamberlain) that they shall link their destiny indissolubly with that of Great Britain and take a larger share in bearing the burdens, and a greater responsibility in moulding the policy of the common Empire by accepting representation in its councils. The Colonies understand their own interest better than Mr. Chamberlain does, and as he apparently has very little confidence in their protestations of loyalty to the Mother Country, unless he can bind them by something stronger than sentiment, he now proposes to secure their allegiance by sacrificing to their financial advantage the best interests of the forty-one millions of his fellow-countrymen who have entrusted the management of their affairs to himself and his colleagues. He of course realises that if it were seen that this was the direct tendency of his proposals, much as the Britishers will stand for a supposed patriotism they might shirk the responsibility of having such a "mill-stone" hung round their necks. Therefore it is necessary to gild the pill by raising flattering though illusive hopes of the policy being followed by the

realisation of some prophecy which he made ten years ago that the greatest reform of all in the welfare of the people had yet to come. What this reform is is not specifically stated, but from the context it may be inferred that it is an arrangement by which full and constant employment would be insured to the working classes of this country at fair wages, and the ever hardy perennial old-age pensions. These are consummations most devoutly to be desired, but can any man who has considered the A B C of the subject think they will be attained or furthered in the slightest degree by a system of Protection? Let us examine the question on its merits without laying too much stress upon the historical facts which prove undoubtedly that wages were lower—much lower—under Protection than they are now, that the cost of living was much higher and the average of comfort nothing like what it is at present, and that although the population was 50 per cent. less, there was more difficulty in getting employment.

The wages of the workers are not the sport of chance, but are governed by inexorable laws. The primary one is that which rules in nearly every other relationship, namely demand and supply. In a thickly populated country like ours, if this law was allowed to operate freely wages would hardly ever be above the amount necessary for the bare sustenance of life. In fact the natural tendency is for wages to fall to the

point where life can only just be supported. This has been sometimes described as the iron law of wages, but its bands are somewhat relaxed by the action of trades unions amongst the workers. These unions are a check to the effect of the law of supply and demand operating immediately on the wages of the workers, and by restricting the number of workers qualified to work at given trades, manage to maintain such a ratio between the supply of labour and the demand for same in ordinary times as suffices to keep the remuneration such as enables them to live with an average of comfort much higher than that of workmen who are not so protected. Now in what way could a tariff on imports beneficially operate on this law? Our contention is that by contracting the demand for the protected articles there would be less demand for workers and a consequent shrinkage in wages. The total imports of Great Britain are about £520,000,000, but of this vast amount £255,000,000 are spent on food stuffs, which under no circumstances could be produced in our own country, and for many years to come only to a relatively small extent by our Colonies. Another £265,000,000 are expended on raw materials, such as cotton, wool, flax, jute, timber, copper, petroleum, &c., and in luxuries, such as tea, tobacco, wines, silks, skins, feathers, &c., which are also beyond our power of production, and many of which are already dutiable. The small residue of

nearly £10,000,000 might conceivably be produced by ourselves. What, however, do they principally consist of? An analysis would prove that they were mostly special types of machinery, printing and agricultural, and mechanical, which being mainly patented articles we should either have to pay the price for, or go with inferior appliances. Let this be so or not the amount of trade which we could do without penalising ourselves by higher prices is infinitesimal in amount, and would have practically no effect upon the volume of available employment, and consequently could not raise wages. If the tax is on the food of the country or on the raw materials, it is on articles which we cannot produce and therefore must be paid out of the wages of those employed at the trades we can profitably engage in, so that the allegiance of the Colonies may be maintained, and it is the people of Great Britain who must bear this burden. There will not, there cannot, be any compensating advantages. The increased price of raw materials due to preference will but create an additional handicap on our manufacturers who, according to Mr. Chamberlain, are already being ousted in competition for the world's trade, and if they are to remain even in as good a position as what they are at present it must be by reducing wages. It is suggested that the preference which will be given us by our Colonies will enable us to have a practical monopoly of their trade. How

illusive is that hope will be realised when it is borne in mind that their total imports is not much more than one-fourth of our exports, and many of the articles are such as we could not provide them with no matter what preference they extended to us. That these imports are likely to largely increase is not questioned, but they are incapable of any great immediate extension. Another point to be borne in mind is that the tendency of prices in general, when not artificially influenced, is to fall to the cost of obtaining the commodity from the most favourable source, where there is proper means of communication. Any preference therefore which our Colonies might give would be largely neutralised by other nations reducing the cost of their goods, so that our manufacturers would probably soon find that the preferential tariff would do them no good in this direction, and as they were paying more for the raw material they would have to reduce wages if they were to compete successfully for even the trade of the Colonies.

The cost of the manufactured article consisting as it does of three factors—the price of the raw material, the wages and expenses of manufacturing plus cost of transit to the market, and the profit or returns on the capital invested—the expenses of manufacture cannot be greatly reduced by any improvement which competitors can be kept unacquainted with. The manufacturers are not philanthropists, and will only risk their capital if

there is a reasonable prospect of an adequate return in the way of profit, which the competition amongst themselves keeps at a normal percentage. Therefore it follows that as any increase in either of the factors must be at the expense of the others, there is not any great likelihood of the profits of manufacturing becoming abnormal as the competition amongst the manufacturers controls this, but as the raw material will necessarily under preferential tariffs advance in price, wages must suffer if we are to be in a position to compete with the products of other countries.

In whatever aspect the scheme is viewed, it is found that the millions who work for their daily bread will be the sufferers. That this is the inevitable result of restraints to the freedom of trade has always been held by leading economical thinkers, and the practical experience which we have had in the past, both of the evil effects of protected and preferential trade and the benefits of freedom, amply prove the accuracy of their reasoning, and should have sufficed to have spared us the necessity of having again to seriously combat the old delusions of Protectionists.

## *AXIOMS*

PROTECTION by raising prices diminishes home consumption.

Protection by raising the prices of raw material makes it increasingly difficult for manufacturers to compete in the foreign market.

Protection by raising the prices of food reduces the standard of living to the great detriment of those who earn their bread by the sweat of their brow.

Protection by restricting the demand for manufactured goods decreases employment, and so injuriously affects wages.

Protection increases the number of unemployed and so swells the pauper population ; this causes discontent and is a menace to settled government.

Protection tends to restrict improvement by discounting the advantages that would accrue from it.

Protection neutralises the benefits of past inventions and improvements.

Protection does not increase the profits of manufacturers, as unless the trade is a monopoly increased

numbers join in it owing to its being privileged legislatively, and so abnormal profits are quickly checked. The capital invested in the protected trades is withdrawn from other trades more suitable to the country as they have been able to exist without preferences.

Protection does not advantage employers or employees, and is a disadvantage to consumers.

Protection is a violation of every principle of taxation, transferring to the people generally a larger proportion of the expenses of Government than they are entitled to bear. The reason of this is that it is the necessities of life that bear the greatest burdens, and owing to the numerical superiority of the working classes they are the greatest users of these.

Protection creates an artificial scarcity of goods. If it does not make food scarce and dear, it fails in its object. If it does so, it is mischievous to the best interests of the people.

Protection is anti-social, sacrificing the general welfare to the interests of a class.

Protection, in short, is either injurious or useless ; it cannot be beneficial.

## *THE PROBLEM*

RESOLVED into its primal elements, the problem to be solved is simply one of what is more desirable, abundance or scarcity of goods. This is the vital, indeed the only issue, and it is one in which every man, woman, and child in the country is concerned. The advantages of a plentiful supply of the necessities of life are so self-evident that it is somewhat surprising that the policy by which that result is obtained should ever be the subject of question by even the merest tyro in political economy. That it is questioned is due to the statement of the reactionists, that by making goods scarce, and consequently dear, you will give an incentive to their production at home; thus creating a demand for additional labour, which in its turn will lead to an increase in wages. How fallacious is this hope has been shown in the preceding pages; but assuming that there was some truth in it, we might observe that the other side of the matter is that as money would have less purchasing power owing to the increased prices, there would be no real

improvement in the condition of the workers—rather the reverse, indeed, as the increase would apply to all the articles they were consumers of, whereas the advance could only take place, if at all, in the wages of the class who were engaged in the protected trades. This class would be found to be principally the agricultural.

Their numbers, however, are relatively very small when compared with those engaged in manufacturing industries, so that the greater would be sacrificed for the less. The number of labourers engaged in agriculture in Great Britain do not greatly exceed one million, and they are not by any means the highest paid class of workers. We also know that the increase of tillage to the extent practicable in our country would not greatly increase the amount of labour required, because an increase in agriculture, if of any extent, would secure the adoption of labour-saving agricultural appliances rather than the engaging of additional labourers. The effect of Protection or preference trading, therefore, would not in any way improve the condition of the wage-earning community, but would, on the contrary, sacrifice their comfort by reducing the effective purchasing power of their wages if they remained even at the present level. Before leaving this point we may refer to the question of the unemployed, who it is alleged will be greatly benefited by the proposed change, with the conse-

quent relieving of the poor rates to the indirect advantage of the more fortunately situated. We need not stop to inquire the various causes by which men find themselves in the ranks of the unemployed : that indeed would be an illimitable subject. Suffice it for us to say, be it by choice or hard necessity, their condition is unenviable. The important question is : How has Free Trade affected their position ? It is a matter of acknowledged fact that immediately before the adoption of Free Trade by Great Britain there were eleven paupers in Great Britain to every two hundred inhabitants ; now there are less than five, although the population has increased fully 50 per cent. in the interval. This does not look like Free Trade being restrictive of employment ; and as we have good reason to believe that like causes produce like effects, there is little doubt but that a return to Protection will increase instead of diminish pauperism. This pauperism, by reason of the prevailing dearness, will entail a heavier percentage of expense upon the employed, to their disadvantage.

That the reactionist policy is designed to starve the market and produce dearness is apparent, as it is only by this means that it can hope to accomplish any result. If the tariff imposed is so small that it does not increase prices, it would not pay for the expenses entailed in collecting it, and if it does

increase prices it is simply because an artificial scarcity has been produced. Now, who is to benefit by this scarcity and increase of prices? Certainly it cannot be the consumers, and therefore it is necessary for us to analyse somewhat minutely the factors of the problem, and see whether the benefit, if there is any, is to be universal or particular. Society has been divided into many divisions by various writers according to the point of view from which they were reviewing it, but for our purpose we may consider it as consisting of producers and consumers. The interests of these two classes are not identical, though each individual may be alternately considered as a producer and a consumer. Owing to the specialisation of employment, however, which characterises an advanced civilisation, a man's interest as a producer is usually centred in at most one article, but more frequently in only a portion of one article. It has been said jestingly that it takes nine tailors to make a man; in the same way it frequently takes under modern conditions one thousand workers to make one producer; but each one of these thousand workers are interested in all the articles of consumption. It will be evident, therefore, that their sectional interest as producers cannot in any way equal their manifold interests as consumers, and it will also follow that their interests in the two characters are irreconcilable. As producers it would be to their advan-

tage to have the market starved of all other products but their own, so that a high level of prices might be maintained; as consumers they should desire a plentiful supply and low prices of all other articles, so that their wants might be relatively easy to supply.

The question, then, is which desire is more consonant with the welfare of the entire community, as that is the one which should be legislatively favoured, the State existing as such but for the welfare of those composing it. The desire of producers will be found on examination to be distinctly anti-social, because it is a desire of a part, and indeed a small part, to profit at the expense of the whole. If followed to the logical conclusion, it will be seen that the vine-grower would not greatly regret a blight upon the vines of every other vineyard-owner but himself, because this would give his grapes a greatly enhanced value. A merchant who had in stock an enormous quantity of corn and wheat would not regret the general failure of these crops, as though so disastrous to the farmers, he would get greatly increased prices; and a manufacturer would not regret his rivals' workshops being destroyed by storm or fire, as such would but enable him to reap an increased profit. The physician, as a physician, cannot regret disease, nor a clergyman, as a clergyman, regret vice, because but for the existence of these two most undesirable characteristics of humanity their professions would be

most unremunerative. They may, of course, choose, and I have no doubt usually do choose, to view these questions outside of a strictly business point of view. As men and Christians, the vineyard proprietor, the merchant, and the manufacturer may honestly deplore any misfortunes which may befall their trade rivals ; and the physician and the clergyman may, and no doubt do, sympathise and sorrow over the evils which their professions depend upon ; and the lawyers really desire, irrespective of professional profit, that peace, goodwill, and mutual toleration should prevail. If this, however, is their attitude, it is because they are so educated as to place the general welfare before their individual interests, which are certainly all directly anti-social. The desire of each individual, however, is that all things except perhaps that which he is a producer of, should be cheap and abundant, because he as a consumer is dependent upon the abundance of all goods to be able to satisfy his wants, whereas usually he is but an assister in the production of one article, and the amount of comfort he can obtain is governed by the ratio of value which prevails between the article he contributes to produce and the hundred and one articles which he is a user of. Were we asked, What is the difference between civilisation and barbarism ? we should unhesitatingly say it was comfort.

Nature is neither generous nor systematic. Unassisted by scientific knowledge she would not yield sustenance

to the constantly increasing numbers depending on her for support, and her very choicest gifts are showered where they are least required. In the early stages of development, before men begin to assist Nature they are constantly on the verge of starvation. The necessity of providing for the future is not clearly perceived, and the means of transferring the gratuitous offerings of Nature from the places where they are not required to where colonies are established do not exist. The consequence is that barbaric nations, though they work hard enough, never experience that which in civilised society is so often complained of—over-production. All the progress of humanity is due to the necessity of overcoming the obstacles of Nature, and it is owing to the fact that it would be impossible for each individual to overcome for himself all the obstacles opposed to his comfort so completely if he relied on his own exertions as if he co-operated with others that the modern industrial system exists.

Each obstacle is attacked by a collective force, which devotes itself entirely to the overcoming of that particular obstacle, and which is rewarded for its efforts by a demand upon the general efforts of the community proportioned to the advantages which will accrue from the overcoming of the particular obstacle. Now, the labour involved in overcoming any obstacle is not valued by either its duration or intensity but by its effectiveness, and thus we find that many whose labours

are neither long nor arduous, but who have devised a simpler and more effective method of accomplishing some desired end establish a claim upon the efforts of the other members of the community disproportionate to any apparent exertion. That it is right and equitable that the discoverers of the improved method of assisting the operations of Nature should be rewarded in proportion to the value of their discoveries to the community can scarcely be questioned, but whether we consider it advantageous or not must depend upon how we answer in a secular way the question of the shorter catechism as to what is the chief end of man. If the chief end and aim of existence is but to labour, then indeed we are upon the wrong track, and so far from hailing as benefactors of humanity those who invent new and improve on the old methods of production, we should sternly repress them as being inimical to the best interests of humanity. The fact, however, is that if it were not for the subdivision of labour which is the characteristic of modern civilisation, there would not be any confusion of thought upon this subject. If each man had to perform for himself the various offices which modern conditions of living make essential to comfortable existence there would be no question even amongst the most unversed in political economical questions as to the advisability of adopting every labour-saving device invented, as individually no man would dread the day when the operations would become so simplified that

there would be nothing for him to do. All would quickly realise that so far from being the end for which men lived, labour was but the means of existence; and as such, the more it was simplified, the more effective it became, the better for society at large.

Civilisation increases the comfort of humanity solely by increasing, through inventions, the effectiveness of human labour and by facilitating the transporting of the results of that labour from the point where it is most advisable to exert the labour to the point where the product of it is most required, these two points being seldom identical. In any case, production under the present-day system of subdivision is on such a scale that even where there is a local market for the product it is usually too restricted, and consequently in nearly all cases a distant market has to be sought. The importance of diminishing the effect of the distance from the market has been the fruitful source of inventions and improvements. Attention, indeed, has been so concentrated upon this point that it might be—has been—said that distance is annihilated. It will be obvious, however, that if the natural obstacle to intercourse has been so completely overcome that we require to raise an artificial barrier to protect our trade that the time and talent that has been devoted on inventions and the millions of money that have been spent in their adoption have been absolutely wasted, or worse than wasted, because they have, according to Protection, ren-

dered labour less necessary, and consequently removed the chief end of man.

If our industries require protection, would it not be a much simpler method of accomplishing the result to ban all improvements, declare that our steamers and our railways and our improved mechanical appliances have been tolerated and encouraged in the past under a false conception of what was good for mankind, and that we must return to the spinning-jenny, the sailing-ship, and the stage-coach in order that we may give additional employment by diminishing the effectiveness of labour and the facilities of transport. Surely it will be much more logical to keep our money than to spend it in improvements which, when we accomplish them, we find it necessary to neutralise their effects by raising artificial obstacles. Protection is simply an attempt to destroy the advantages which have accrued from the improvements of centuries : it is an anachronism, and hostile to the spirit of the age. Protectionists, though not in words, yet in facts, declare that our progress has been a mistake ; that the man who has discovered how to make two blades of grass grow where one grew before is an enemy of humanity, because he has minimised the amount of work which it is necessary for him to perform in order to live, and so, according to them, has lessened the reason for his being. Are we prepared to accept that view of the case, or are we going to

recognise that labour is not the end, but the means, of existence? The latter is the attitude of those who are prepared to encourage improvement in mechanism and in transit, of those who believe that if labour could be rendered so effective that the wants of humanity could be supplied by a simple volition of will no one would be a sufferer thereby; on the contrary, that this would be a most desirable consummation, and that the freedom from toil would elevate all mankind to a higher plane of existence.

It has been shown earlier by our diagrams that the wages in Great Britain are higher than are current in any other European country. Why is this? Is it not clear that it is due to trade being unhampered by restrictive tariffs the exchangeable value of labour is higher in Great Britain than in that of the countries where tariffs prevail. To illustrate this we may point out that if we produce in Great Britain goods which cost us, inclusive of carriage to the market where they are to be disposed of, £80, and that market, which we may assume is Germany, admits the goods free of duty, we shall only get from the people of Germany in exchange goods which we require which cost them £80, minus carriage, to produce. If, on the other hand, they put a 25 per cent. tariff on, we shall, without any increase in the value of our own goods, get from them goods which cost them £80 plus 25 per cent. = £100 to produce. So that our workers will receive

in return this 25 per cent. greater value of goods for their work. Suppose, however, that we, instead of admitting their goods free, impose on our part a restrictive tariff of 25 per cent., then the goods which cost them only £100 to produce, and which are actually only worth that amount, will have to be distributed in our country at £125. This means that the people of the country will have to pay £125 for what they could obtain for £100, and it is clear that so far from the purchasing power of their goods being increased by the jugglery of exchange, it shall in future be diminished. They shall pay £125 for what is worth only £100, and they shall get £100 for what is naturally only worth £80, so that it will work out that they shall only receive £64 actual worth of goods for every £80 which they produce, *i.e.*—

$$\text{£125 : £100 :: £80 : £64.}$$

When they export goods which cost them £64 to produce, those they are trading with will, owing to their tariff laws, have to exchange for them goods which cost them £80 to produce, and our people will have to pay for this £80 worth of goods £100. In other words, the two Governments will depreciate the value of their respective workers' exertions by 36 per cent. When we send out £80 worth of goods it shall only give us a claim upon £64 worth of their manufactures, though the people of the country they are going to will have to pay £80 for the same. Now, this 36 per cent. will

necessarily go into the revenues of the two countries minus the cost of collecting, and therefore it might reasonably be asked by any one who did not look minutely into the question, Where's the harm? The harm consists in the apportioning of taxation. It has been considered, though not always acted upon, that just taxation demands equality of sacrifice, and it is this, which may be called an axiom of taxation, which has made our Government as far as possible depend upon direct taxation. By this means it is those who obtain the greatest benefits from a stable form of government who contribute most largely to its maintenance. When taxation is indirect, and upon the necessaries of life, the wealthy are only assessed in the same way as the poor. They therefore bear a less portion of the expenses of government than the poor, both individually and collectively, as, though they have the greatest interest in the maintenance of the existing conditions, they are numerically less, and are smaller users individually of what may be called the bare necessities. It is this which gives point to the argument that direct and indirect taxation should be equalised, so that the greatest burdens of government should not be borne by the workers, who are least entitled to and not so able to bear them.

Protection is not alone unadvisable in a country situated as ours is, but it is unjust to four-fifths of the inhabitants, transferring to them responsibilities which

should be borne by the whole, and the fifth, who, owing to their privileged situation, are exempted from their fair share, derive the greatest benefit from the existing order, and have the greatest capacity for bearing the burdens of government. This fifth part is not alone freed from bearing the proportion of taxation due to the benefits accruing to them, but it is hoped that they shall be enabled indirectly to obtain abnormal profit by reason of the protective tariffs artificially inflating the value of the goods they are engaged in producing. Can any policy be conceived of better calculated to increase the wealth of the wealthy and to intensify the poverty of the poor? If it is desirable that legislation should foster and encourage these disparities of condition, and prevent any approximation towards an equality of advantage amongst the classes and the masses, then indeed an unanswerable argument in favour of Protection is established. If, on the other hand, the endeavour should be to so adjust taxation as to preserve a just equipoise between the different classes of society, then Free Trade principles must be maintained.

The decision rests with the people. On their realising the true issue which is involved depends whether the beginning of the twentieth century will witness our country taking a retrogressive step which will deprive us for generations of all "the advantages which we have inherited and proved, for the desperate chance of something better" which Mr. Chamberlain offers. The past

cannot be obliterated ; it should not be minimised. A reference to the pages in which its history is inscribed proves that protective tariffs and preferential trading has been the fruitful source of misery amongst workers, insecurity amongst capitalists, instability amongst governments. There is no way of judging of the future but by the past, and judging by the past we find that Protection is synonymous with misery amongst the poor, a prevailing pauperism, hard work, low wages, little comfort. Free Trade has been characterised by a more generous scale of living, a wider view of human rights, an expanding conception of human dignity. Which is most consonant with the desires of the people ? which most consonant with the stability of our Empire ? Let each answer these questions according to the light which is in him, but realising that his decision will probably have more far-reaching effects than any allegiance to party—effects which will determine whether Great Britain is to remain predominant amongst the nations of the world, or whether, having failed, notwithstanding her opportunities, to read aright the riddle of national existence, she shall have to give place to some other power which shall more correctly interpret social problems and consider the interest of their people alone in the application of that interpretation.

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